HUMAN EVENTS

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News Section

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Appeasement to the Fore: Vice President Nixon captured the center of the stage in the past few days, with his surprising write-in vote in the New Hampshire primary, but — if their plans go well — the members of the Palace Guard hope to shift the spotlight to someone else who scarcely qualifies as a stout adversary of Communism and appeasement, as does Nixon.

The "someone else" — we are reliably informed — is none other than Harold Stassen, Secretary of Peace and Disarmament. Stassen has not been very widely mentioned as a candidate for the place held by Nixon. But a build-up is in process, including a plan which — its advocates hope — will place laurels on the brow of the Minnesotan. In the scheme, Stassen has some powerful backing and backers, as follows:

(1) The bureaucracy — the whole "foreign aid" and "Point IV" element in the civil service, all New Dealers, some dating back to WPA days, others from the more recent ECA and MSA phases of the giveaway global welfare operations. These are the cliques who formulate the policies for such administrators as Stassen and who effectively control them.

(2) The "pocketbook patriots" — as our contributor, Hon. Howard Buffett, former Congressman, described them in his recent article in HUMAN EVENTS (October 1, 1955). These businessmen want to unload goods abroad and don't worry about how much of the U.S. taxpayers' money is devoted to the process. Behind them are big New York financial concerns with interests of long standing in various parts of the world, including Russia. American taxpayers, as Mr. Buffett noted, "have no choice on the foreign giveaways. They must pay and pay, not for a relatively harmless piece of humbuggery, but for a multi-billion pork barrel that has seriously undermined two main pillars of freedom, financial solvency and upright elections."

All this serves to illuminate why the Administration seeks an even larger foreign aid program this year, and why Harold Stassen — long a symbol of extravagant foreign aid distribution — is being allotted the front of the stage. This, also, may explain his frantic efforts, before the McClellan committee in the past fortnight, to cover up foreign shipments of strategic goods to Russia.

But, those pushing him forward realize that Stassen's prestige now is not high, and he must pull off some brilliant coup which will bolster his status before the public. That "must" will be taken care of — as plans now go — by what Stassen does on March 19 and subsequent days.

That's the time when Stassen meets the Russians in a disarmament parley in London. Constantine Brown, Foreign Editor of the Washington *Star*, reports conflict between Stassen's reckless notions on how to give in to the Russians and the pro-American ideas of our top military and naval officers. At any rate, it is believed in Washington that the Minnesota man will try to sell some "world-saving" scheme to the British and Russians at London, a plan which eventually — however brilliant it may seem at first — could prove to be but another dangerous appeasement of Russia, in the category of our performance at Geneva last summer.

After New Hampshire: As they see it in Washington — Kefauver's victory in New Hampshire makes the Democratic race look more and more like it might end in a convention deadlock, with a dark horse emerging as winner. The front runners of today — Stevenson, Kefauver and Harriman — appear more evenly matched than before.

The rivalry between them, however, is becoming dangerously bitter and might hang over after the convention with unhappy results on party harmony. But most of all, Democratic managers fear the developing split in the party over desegregation. Even the most faithful Democrats now concede that another Southern break could happen next fall, probably taking the form of a Southern states rights party, like that led by Strom Thurmond

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in 1948. And no one of the front runners seems able to heal the split — each having incurred grave liabilities in both North and South.

In this situation, dopesters believe that Governor Frank J. Lausche looms as the most likely man to hold the party together. He has stayed out of the mare's nest of desegregation and has associated himself with "states rights." As a big vote-getter, he attracts the Democratic bosses who want a winner this year and (like the Republican bosses in '52 with Ike) will swallow Lausche's reputation for party irregularity.

Word to HUMAN EVENTS from Columbus, capital of Ohio, and from Cleveland, is that the Governor is "running," however discreetly he acts in public. Those around him believe that he can get the nomination. They claim that Carmine DeSapio, New York Tammany boss, has promised to throw New York's delegate strength to Lausche if the Harriman boom is deflated.

Under the Dome: The surprising write-in for Nixon in New Hampshire is not considered — in the Senate cloakrooms — as so astonishing after all. Some Senators say that it was all planned and manipulated by that state's senior Senator Styles Bridges. As a leader of the right-wing of the GOP, Bridges was very interested in thwarting the anti-Nixon maneuvers of the "liberal" White House Palace Guard. It was noted that Bridges, who ran for delegate to the GOP convention, received by far the largest vote of the 15 delegates elected.

● Hopes of Oregon Republicans soar after Ike so sagely persuaded Secretary of the Interior Douglas McKay to run for Senator against Wayne Morse. McKay is an excellent vote-getter and has a sound electric power policy (important out in that area) in contrast to Morse's socialistic ideas.

● Some Senators remarked that it was Senator Joseph McCarthy who saved the Administration in the vote on the 90 per cent of parity issue. Joe was for 90 per cent, but chose to pair his vote with an absent Senator, thereby tying the score. Then, Nixon, as Vice President, cast the deciding vote.

● The Herter-for-Vice President boom has declined, reportedly as a result of a remark by GOP Minority Leader Joe Martin. The latter caustically said, "We can't afford to have two invalids on the ticket." (Herter suffers from arthritis.)

Talk on Capitol Hill: Election chatter is a veritable fever chart today in Washington. Some Republicans claim next November will bring an avalanche for Ike, health or not. Others perceive great difficulties in achieving a GOP victory this year. It is noteworthy that a number of commentators (for instance, David Lawrence) are now developing the theme that Ike could lose. Finally, to throw complete confusion over the scene, some assert that the election may be thrown into the House of Representatives, if the South turns to a Third Party.

The March 10 Gallup poll — which shows that the American people would cast only 43 per cent of their vote for the Republican candidates for Congress as against 53 per cent for the Democratic candidates — has brought to the surface an undercurrent of indignation at the Administration that has existed for a long time among many Republican members of Congress. In contrast, the last Gallup "trial run" poll shows that Eisenhower would get 65.6 per cent of the vote and beat Stevenson by 63 to 33 — a bigger landslide than Roosevelt's in 1936!

Several GOP members of Congress, interviewed in the House restaurant, questioned Gallup's soundness. One said: "I've seen many evidences in the last 20 years of Gallup's New Dealist internationalist tendencies. I don't doubt that his final poll before each election tries to make an exact forecast of the outcome — because his big commercial polling business depends upon his reputation for accuracy. But between elections, Gallup can give free reign to his 'liberal' predilections. His releases seem constantly to be propagandizing the doctrine that America has gone New Deal and the GOP had better get in tune with that philosophy or it will go out of business."

Other Republican Congressmen are severely critical of the President. One Representative said: "In 1952, Ike got 55 per cent of the popular vote, yet the Republicans barely squeaked through with a majority in each House. In 1954, after the country had had two years of the Eisenhower Administration, the Republican Party lost the

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House by 14 seats; worse yet, Gallup's interpretation of the present poll of the Congressional vote is that the Republicans will lose the House again by about 14 votes. I ask you: when before in history did the head of the ticket win by a 65.6 per cent landslide and still lose both House and Senate? Yet I fear that may happen." (In 1920, Harding won 64 per cent of the two-party vote, his House majority was 170; in 1924, Coolidge's two-party majority was 66 per cent and his House majority, 64; in 1928, Hoover got 58 per cent of the popular vote and his House majority was 100.)

Said another House member: "Eisenhower is running on a platform of personal popularity. That is fine for the President; he is a military hero. But where does that leave the rest of us? Ike's speeches say: 'Look how much the government — under me — is doing for the American people.' The Democrats respond by promising that the government — under them — will do much more. How can GOP congressional candidates win in such a contest?"

Letter from T. COLEMAN ANDREWS, former Commissioner of Internal Revenue: "I like HUMAN EVENTS because it is loyal to the political, social and economic philosophy upon which the country was founded and because the reporting is reliable and its comments do honor to reason rather than appeal to emotion. I also like the weekly articles. I never read an uninteresting one."

Left-Field Dilemma: The manifesto signed by some seventy odd Democratic members of Congress, declaring war on the Supreme Court decision, has put on a hot spot such bleeding heart organizations as Americans for Democratic Action (ADA), the CIO, the National Committee for an Effective Congress, and the Communists. Their problem: shall they bull through their left-wing program, including integration (as they undoubtedly can do at the national convention if they choose) and thus alienate the South, or should they seek a distasteful-to-liberals middle ground acceptable to the South whereby a united Democratic party might return to power? Past performance indicates the first choice.

ADA, in a statement under the name of its National Chairman, Joseph L. Rauh, Jr., of Paul Hughes bribery notoriety, declares virtual war on signers of the manifesto; none of them, it says, "can be considered" for a place on the Democratic ticket "without committing the Democratic Party to a reversal of the Supreme Court decision on school segregation." ADA adds that by excluding Rayburn and Johnson from their numbers, the signers of the manifesto admit "that their declaration is contrary to the policies of the national Democratic Party." Which raises the question, what will ADA now say of Senators Sparkman, Hill and Fulbright (who did sign)?

The *Worker*, Sunday edition of the Communist *Daily Worker*, carries a long editorial bewailing President Eisenhower's decision to run again and the fact that there is no "labor-led third party." Declaring that "labor" must elect its Democratic friends, it grudgingly adds: "But the popularity of Eisenhower, combined with the failure of Democratic leaders to adopt a forthright position in keeping with the desires of a majority of voters, especially on the issue of world peace and civil rights, makes labor's task all the more difficult." (Presumably the *Worker* has its own divining rod to determine "the desires of a majority of voters.") The same issue has a story denouncing "a plot by Southern racists to frustrate the will of the voters in the November election and throw the naming of the President and the Vice President into the House of Representatives."

The dilemmas are not small, on either side of the Democratic dividing line.

Education Front: Some of the Southern revolt against desegregation in schools has been fed by reports of what has been happening under desegregation in Washington, D. C.

As an example, most Negro children in the District of Columbia assigned to the ninth grade are two, three, and four grades behind the white children in most of the subjects. Under the automatic promotion system, white children, if in classes that include many Negroes, find school boring and repetitious. As a consequence, a member of the District of Columbia Board of Commissioners has just suggested that children be put "into the grades where they belong" and proposed "mass demotion."

Most Congressmen, whose children are of school age, including northern liberals who talk loudly about civil rights, are moving out of the

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District into the suburbs and into nearby Virginia where integration has not yet taken place, leaving their children in their home constituency, or enrolling them in private schools. Applications for admissions to private schools have skyrocketed. High tuition acts as an automatic segregation influence. Twenty years ago the Negro school population of the District of Columbia was 33%; now it is 67% and the proportion is growing rapidly as white parents move into the suburbs.

Subsidizing Strikers: Efforts to end the five-month-old Westinghouse strike have led to a dangerous move which has aroused labor experts in Washington. The move was the payment of unemployment compensation to 23,000 Westinghouse strikers in the state of Pennsylvania as a result of the decision by Pennsylvania State Labor Secretary John R. Torquato, who classified the strike as a "lockout." This — it is recognized in the Nation's capital — establishes a dangerous precedent.

The U.S. Chamber of Commerce describes Torquato's classification as a "gross distortion of the term, unwarranted by the facts and a violation of the fundamental concept of our unemployment compensation system." The Chamber's general counsel, William B. Barton, points out that the ruling occurred soon after the Pennsylvania Governor's arbitration proposal was rejected by the Westinghouse company. Barton suggests that fear of such a ruling as made by the Pennsylvania Labor Secretary might force a company to accept arbitration. This — he pointed out — would be compulsory arbitration which labor, management and government have traditionally opposed.

The Chamber sums up: "As a long-range result, rulings like those in Pennsylvania encourage more strikes, the burden of which will be borne by state unemployment funds and not union treasuries. The losers will be all employers who pay unemployment taxes, other unemployed workmen who may not be able to get compensation because of depleted state funds and the public who will have to pay higher prices to support strikes called by union officials."

Science and Secrecy: Last week one voice challenged the "give away" of our atomic secrets, the concept held by so many "liberal" scientists, at a hearing before the Government Operations Committee of the House of Representatives, March 8. Mr. David Shea Teeple, former aide to Lewis Strauss of the Atomic Energy Commission, pointed out to the Committee that "we are trying to disseminate all of the information needed to advance science in the free world, and at the same time, to provide reliable safeguards for information which might assist our opponents to increase their military posture." He added that "if all scientific information were freely exchanged between all nations there would be nothing for us to discuss. The present situation is a result of the existence of a Communist conspiracy aimed at ultimate world domination."

In contrast to ivory tower scientists who want us to open all our doors, Teeple doesn't like the present situation in which — he said — "we are at present riding on a 'one way' street. We publish and distribute considerable information whereas the Communists tell us very little."

Teeple takes sharp issue with those who criticize our security system, and those who want no security system at all. "There are those," he remarks, "who state that security, secrecy and scientific progress are incompatible. I see no evidence to support this view. Before such a thesis can be accepted, its advocates must explain the technological strides attained under the repressive philosophies of both Nazism and Communism."

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Article Section

UNCLE SHYLOCK AND THE DOLLAR GAP

By WILLIAM HENRY CHAMBERLIN

AFTER THE FIRST WORLD WAR, it was "Uncle Shylock." European nations that had not infrequently collected debts with the aid of naval demonstrations, and that at Versailles tried to extract blood from a stone by imposing fantastic reparations' levies on a Germany crippled by other provisions of the peace treaty, turned fiercely against the United States because it refused to write off the whole capital value of its war loans. (Extremely generous settlements, far short of one hundred cents on the dollar, were made with France and Italy.)

The benevolent Uncle Sam, who entered the war in a dark period, turned the tide and made complete victory possible, was transformed into a grasping, heartless Uncle Shylock. In the end, reparations and war debts went down the same drain and the United States was left with uncollectible IOU's and what should have been a sobering and enlightening experience of the futility of expecting either money back or gratitude for subsidies advanced to nations at war.

Since the Second World War, the epithet "Uncle Shylock" has gone out of fashion. It would be a little difficult to make it stick for a government that dispensed approximately one hundred billion dollars in wartime lend-lease largesse and has followed this up with unrequited postwar handouts amounting to about fifty billion dollars — an outlay which will apparently continue to increase at the rate of about four billion dollars a year, unless Congress calls a halt.

BUT A NEW THEORY developed, uncommonly convenient for countries which felt that America owed them at least part of their living. This was the theory of the so-called dollar gap. A Hungarian-born left-wing British economist named Thomas Balogh has been one of its most persistent advocates.

Briefly summarized, this theory works out as follows: Great Britain and the nations of Western Europe can never hope to earn by normal trade and investment enough dollars to pay for what they need from the dollar area, which includes Canada and some Latin American countries, as well as the United States. There are the hurdles of the American tariff and the Buy America legislation; there is the higher American productivity.

According to this theory, there will be a constant trend for the United States to attract to its coffers all the gold and dollar reserves of the rest of the world. The only antidote and the only means of sustaining America's foreign trade are to be found in constant handouts, in one form or another, to deserving foreign nations.

This theory of an unbridgeable dollar gap, of a permanent overfavorable balance

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of trade and payments for the United States, won high prestige not only among Europeans who were not averse to the prospect of having free shopping list privileges in the dollar area, but among many administrators of aid under the Marshall Plan. But it has become as obsolete as Karl Marx in the light of the facts and figures of the last few years.

As of September, 1949, holdings of gold and dollars in Western Europe were $7.9 billion. According to the dollar gap theory, this sum should have been exhausted or depleted six years later. On the contrary, European holdings by September, 1955, had precisely doubled, at $15.8 billion. The German Federal Republic, which launched its new currency with practically no gold or dollar backing in 1948, had built up a reserve of over three billion dollars, providing about one hundred per cent coverage for its note issue.

Gold and dollar resources of all foreign countries, which were $14.8 billion in September, 1949, had reached the all-time record high point of $25.8 billion on June 30, 1955. Gone is the legend of the "dollar gap"; demolished is the all too familiar picture in Europe of Uncle Sam as the stupid and avaricious "bad creditor" who blocks the channels of world trade and economic development by refusing to make sufficient dollars available to foreign purchasers.

Secretary of the Treasury George M. Humphrey, at the conference of the International Monetary Fund in Istanbul last autumn, was in a position to offer crushing refutations to the familiar European complaint that American tariffs and other restrictive legislation make it extremely difficult for foreign firms to gain access to the American market. Mr. Humphrey pointed out that American purchases of foreign merchandise in 1954 were over 50 per cent higher than in 1949. The exact figures were $6.8 billion in 1949; $10.3 billion in 1954. American imports were up by almost another billion dollars in 1955.

It is true that America sells more goods abroad than it buys, to the tune of about two and a half billion dollars in 1954, of almost three billion dollars in 1955. But that is only part of the story. When such other items as foreign, economic and military aid, spending of U.S. soldiers and civilian tourists abroad, outflow and reinvestment of American capital in foreign countries, are weighed in the balance against all foreign payments for American goods and services, a very interesting result comes out.

Foreign countries, which were losing gold and dollars from 1946 to 1949, have been gaining gold and dollars steadily since that time, as much as $3.6 billion in 1950, the year of the outbreak of war in Korea, and substantial amounts in following years. The United States gold stock, which reached a record high level of $24.7 billion in September, 1949, diminished by $3 billion, to $21.7 billion by September, 1955.

Altogether the United States, in various forms, has been making available almost $20 billion annually to the outside world. This does not fit the picture which foreign economists sometimes paint of an America intent to sell and reluctant to buy.

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THIS IS NOT to say that American foreign economic policy has been beyond reproach. The present system of classifying and appraising foreign merchandise in customs could well be overhauled and simplified. It is not so much the height of tariff rates as their uncertainty that is discouraging to the foreign exporter. If a foreign firm succeeds in building up a fairly good market for its product, there is always the danger that the "peril point" clause in tariff legislation will be invoked against it. In view of the large sales of American machinery and equipment on foreign markets, the United States Government could afford to be more generous than it is in accepting foreign bids that meet competitive conditions on turbines for dams and other public projects.

But the United States also has grievances in this game of international trade. Europeans, eager to point out the mote in the American eye, often neglect the beam in their own. This is the unwillingness of European countries, with few exceptions, to make their markets fully competitive.

What the American exporter is up against in most European countries is not only tariffs, but hurdles which are much harder to jump: direct licenses (which are required for imports of American goods) and inconvertible currencies. There are exceptions, and American goods have been finding freer access as Europe has become more prosperous, by leaps and bounds, during the last few years.

Switzerland is fully convertible, Belgium very nearly so, and Germany and Austria have made big strides in this direction during recent years. The traveler in Germany and Austria can freely bring in and take out foreign currency without declarations. German Finance Minister Fritz Schaeffer and German Economics Minister Ludwig Erhard assured me last summer that Germany was ready to make the mark convertible as soon as Great Britain, center of the much larger trading area where currencies are on a sterling basis, would take the same step with the pound. But Great Britain, which saw its gold and dollar reserves shrink by several hundred million dollars last year, is now inclined to hang back on taking the plunge into convertibility, although the British Treasury was anticipating a convertible pound in the summer of 1954.

It is no accident that European countries began to gain dollars and gold, instead of losing them, after the autumn of 1949. For at that time there was a long overdue revaluation in the official value of European currencies, which had been grossly overpriced. The value of the pound was slashed from $4 to $2.80 and most other countries carried out identical or similar devaluations. Overvalued currencies stimulate imports and choke off exports, which cannot meet competition if their prices are calculated in an overvalued currency. So what was represented as a law of nature, an inevitable "dollar gap," proved to be only a case of bad financial management, of clinging stubbornly to an unrealistic valuation of the pound and other currencies.

In the light of this experience, it seems reasonable to expect that, if the leading European countries would make their currencies freely convertible, other difficulties associated with the rigidity of an inconvertible currency would disappear, and there would be further expansion in the

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value and volume of international trade and a considerable increase in foreign investment. This is, of course, on the assumption that nations would make some sacrifices in submitting to credit control to head off internal inflation, even at the price of some temporary unemployment, in order to keep their currencies freely convertible.

ALONG WITH THE THEORY of the permanent dollar gap, which was supposed to favor the permanent subsidization of Europe, the American taxpayer has been bombarded with another expensive handout proposition. This is that America owes a living to the underprivileged peoples of Asia, Africa and other less favored continents.

Here again, there is a false assumption: that private investment is largely or entirely non-existent, so that government must step into the breach with grants out of taxpayers' money. But the records show that the United States now has long term capital investments abroad amounting in capital value to a little over $22 billion. Between 1948 and 1954 there was a flow of American capital abroad to the amount of $10.8 billion at a rate of about a billion and a half dollars a year.

And there is no doubt that this rate could and would be speeded up if it were not for the hostile attitude toward capitalism in general, and foreign investors in particular, which prevails in many underdeveloped countries — at least on the part of their governments. Oil underground is a dead asset. Yet some governments, in Europe, Asia and South America, apparently prefer to let their oil deposits remain unused, rather than allow foreign firms with the requisite capital, equipment and know-how come in and develop them, thereby creating local employment and insuring large royalties to the governments. This irrational attitude is encouraged by the handout philosophy fostered by some committees in the United Nations and by some would-be spenders in high places in the U.S. government service. A bit of cool common sense is supplied by the following passage in a report of the National Advisory Council on International Monetary and Financial Problems:

"Whether an increase in the flow of private capital abroad will occur depends basically on the relative attractiveness of investment opportunities at home and abroad. The expansion of the United States economy has made it possible for private investors to earn attractive rates of return on capital invested at home. Investment opportunities abroad have to offer the prospect of comparable rewards to attract private capital away from the United States economy, with due allowance for the greater risks involved in investments abroad."

"Billions for private investment on fair terms, not a cent for economic handouts, especially to unfriendly neutrals," would be a very good steering direction in the field of foreign economic relations.

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